Action Item 8

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE

ADMINISTRATIVE MATTER	☐	DATE	**April 28, 2021**
MOTOR CARRIER MATTER	☐	DOCKET NO.	**2019-182-E**
UTILITIES MATTER	☑	ORDER NO.	

SUBJECT:

DOCKET NO. 2019-182-E - South Carolina Energy Freedom Act (H.3659) Proceeding Initiated Pursuant to S.C. Code Ann. Section 58-40-20(C): Generic Docket to (1) Investigate and Determine the Costs and Benefits of the Current Net Energy Metering Program and (2) Establish a Methodology for Calculating the Value of the Energy Produced by Customer-Generators - Staff Presents for Commission Consideration Disposition of Docket No. 2019-182-E.

COMMISSION ACTION:

South Carolina Act 62 adopted by the General Assembly in May of 2019 required the Commission to open this generic docket to "investigate and determine the costs and benefits of the current net energy metering program and establish a methodology for calculating the value of the energy produced by customer generators."

With regard to the cost benefit analysis of existing Net Energy Metering (NEM) programs, I move that the Commission consider the useful life expectancy of solar photovoltaic (PV) systems used by NEM customers to be twenty years . All self-generation by a NEM customer generator within the billing period is to be considered equivalent to energy efficiency or demand-side management measures.

With regard to cost-of-service implications, I move that the Commission generally adopt the cost-of-service analysis proposed by the solar intervenors using theory that customer generators in a class are separated out and evaluated separately for analytical purposes only. To be clear, this analysis is not creating a separate class of service for customer generators, but this methodology is being used for analysis only.

This analysis shall include the following factors:

1. Examinations of both embedded and marginal costs so as to consider the impacts of customer generators on both historic and future utility costs and benefits.

2. This evaluation of theoretical customer generator classes shall include the cost-of-service analytical factors and required load data, and/or a methodology consistent with an electrical utility's current load research on a statistically significant sample of customer generators. Where this is not possible, it is reasonable to estimate the hourly usage profile of a customer generator using historic usage profiles and estimating the net hourly usage profile of these customers by applying the aggregate generation profile for that corresponding period recorded from all customer generators with production meters owned and controlled by the regulated electrical utility. The load of customer generators should be evaluated within the cost-of-service analysis on the basis of net hourly consumption from the electric grid.

3. For purposes of the customer generator cost of service study, a customer that is a net exporter of electricity during an hour should be recorded as having zero, rather than negative, consumption during the hour. This approach should also be followed to determine the aggregate hourly net load profile of all customer generators within a class of service.

4. The use of the same Commission approved cost of service allocators including methods of allocating costs to the theoretical customer generator classes on which effective rates are based at the time of evaluation, as well as the use of a test year that is more recent than the test year relied upon in the utility's most recent rate case. Requests to use allocators and test years differing from the most recent Commission approved rates must be supported by substantial justification.

5. Behind the meter consumption (i.e. self-consumption) should be valued using the same methodology as energy efficiency or demand-side management programs.

With regard to the value of distributed energy generation under Act 62 methodology approved in Commission Order No. 2015-194, I move that the value stack be retained with the following modifications:

1. That the stack be amended to reflect a 20-year expected life useful life of solar PV generation assets.

2. That avoided line losses be calculated on a marginal basis considering daylight hours only.

3. That utility integration costs (which are determined in the avoided costs proceeding) should only be applied to exported power because behind the meter consumption is to be viewed the same as energy efficiency and that integrated costs for customer-sited DER should focus more on distribution system related impacts. Electrical utilities shall track incremental interconnection costs associated with customer-generated interconnections not covered by an interconnection application fee.

4. Customer generators are not currently utilized to provide ancillary services. Therefore, electric utilities are hereby required to evaluate the creation of programs to leverage DER to provide ancillary services especially as technology development leads to storage.

5. Inclusion of a methodology to quantify long-run impacts of aggregate customer generators on avoided transmission and distribution costs. Thus, the electrical utilities shall collect data with sufficient granularity to provide the Commission with quantitative analysis of avoided transmission and distribution costs.

6. If the electrical utility engaged in financial hedging activities to hedge against rising fuel costs, then the electric utility shall keep sufficient data to determine the prudency of those costs.

7. If state or federal laws impose regulatory burdens on electric utilities going forward, then electric utilities shall provide the Commission with the quantifiable costs of complying with those regulations that limit carbon dioxide and methane emissions so that customer generators can be credited with an appropriate benefit in meeting those emission standards.

8. With regard to the direct and indirect economic impacts that benefit the utility service area in South Carolina, I move that the Commission find that it is currently unable to adequately quantify the direct economic benefits from the record currently before us. However, we do recognize there are certain indirect benefits like job creation, infrastructure investments, and growth in the state's economy that do exist but are difficult to quantify given the existing

record. Going forward, I move that the Commission adopt witness Dr. Wright's analysis of direct and indirect beneficial economic impacts for future NEM proceedings.

Through Act 62 the General Assembly has required the Commission to consider costs and benefits associated with renewable energy and to appropriately calculate those costs and benefits. To fulfil that statutory directive, I move that the Commission find that we must continue to better define benefits -- both the components and the methodology for determining costs -- whether they be economic, health or other societal benefits.

For purposes of this proceeding, I believe that the evidence supports a finding that there are direct and indirect positive economic benefits from rooftop solar generators to South Carolina's economy. However, I move that the Commission consider these benefits on a qualitative, rather than strictly quantitative, basis. When these values are able to be reasonably calculated from a quantitative perspective, then inclusion in the value of NEM generation shall be considered.

PRESIDING: J. Williams SESSION: Regular TIME: 11:00 a.m.

	MOTION	YES	NO	OTHER	
BELSER	☑	☑	☐		Present in Hearing Room
CASTON	☐	☑	☐		Present in Hearing Room
ERVIN	☐	☑	☐		Voting via Webex
POWERS	☐	☑	☐		Present in Hearing Room
THOMAS	☐	☑	☐		Voting via Webex
C. WILLIAMS	☐	☐	☐	Absent	Family Sick Leave
J. WILLIAMS	☐	☐	☐	Not Voting	Present in Hearing Room

(SEAL)

RECORDED BY: J. Schmieding